



DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed fiscal year 2024 Boulder Canyon Project base charge and rates for electric service.

SUMMARY: The Desert Southwest Region (DSW) of the Western Area Power Administration (WAPA) proposes an adjustment to the base charge and rates for fiscal year (FY) 2024 Boulder Canyon Project (BCP) electric service under Rate Schedule BCP-F11. The proposal would increase the base charge 3.5 percent from \$66.8 million in FY 2023 to \$69.1 million in FY 2024. The change is primarily the result of a decrease in prior year carryover funds from FY 2023. The proposed base charge and rates would go into effect on October 1, 2023, and remain in effect through September 30, 2024. Publication of this *Federal Register* notice will initiate the public process.

DATES: A consultation and comment period begins today and will end **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**. DSW will present a detailed explanation of the proposed FY 2024 base charge and rates at a public information forum that will be held on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10 a.m. Mountain Standard Time to no later than 12 p.m. Mountain Standard Time, or until the last comment is received. DSW will also host a public comment forum that will be held on **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10 a.m. Mountain Standard Time to no later than 12 p.m. Mountain Standard Time, or until the last comment is received. DSW will conduct both the public information forum and the public comment forum via Webex. Instructions for participating in the forums will be posted on DSW's website at least

14 days prior to the public information and comment forums at:

www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx. DSW will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed base charge and rates should be sent to: Jack D. Murray, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, or dswpwrmrk@wapa.gov. DSW will post information concerning the rate process and written comments received to its website at: www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.

FOR FURTHER INFORMATION CONTACT: Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or dswpwrmrk@wapa.gov.

SUPPLEMENTARY INFORMATION: Hoover Dam,¹ authorized by the Boulder Canyon Project Act of 1928, as amended (43 U.S.C. 617, *et seq.*), sits on the Colorado River along the Arizona-Nevada border. The Hoover Dam power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with the Bureau of Reclamation (Reclamation), WAPA markets and delivers hydropower from the Hoover Dam power plant through high-voltage transmission lines and substations to customers in Arizona, Southern California, and Southern Nevada.

The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs of investment repayment, interest, operations, maintenance, replacements, payments to states, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor revenue, ancillary services, and late fees

¹ Hoover Dam was known as Boulder Dam from 1933 to 1947, but was renamed Hoover Dam by an April 30, 1947, joint resolution of Congress. *See* Act of April 30, 1947, H.J. Res. 140, ch. 46, 61 Stat. 56-57.

help offset these projected costs. Hoover power customers are billed a percentage of the base charge in proportion to their power allocation. Unit rates are calculated for comparative purposes but are not used to determine the charges for service.

On September 12, 2022, the Deputy Secretary of Energy confirmed, approved, and placed Rate Schedule BCP-F11 into effect on an interim basis (87 FR 57189). The rates remain in effect until: (1) FERC confirms and approves them on a final basis; (2) subsequent rates are confirmed and approved; or (3) such rates are superseded. On September 13, 2022, WAPA submitted Rate Schedule BCP-F11 to FERC, which, pending final confirmation and approval by FERC, will be in effect for a five-year period ending September 30, 2027.² Rate Schedule BCP-F11 and the BCP Electric Service Contracts require WAPA to determine the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2023 BCP base charge and rates expire on September 30, 2023.

Comparison of Base Charge and Rates

	FY 2023	FY 2024	Amount Change	Percent Change
Base Charge (\$)	\$66,798,560	\$69,134,285	\$2,335,725	3.5
Composite Rate (mills/kWh)	22.43	23.94	1.51	6.7
Energy Rate (mills/kWh)	11.22	11.98	0.76	6.7
Capacity Rate (\$/kW-Mo)	\$2.17	\$2.42	\$0.25	11.5

The preliminary calculation of the FY 2024 base charge resulted in an 11 percent increase compared to FY 2023. In response to devolving hydrology and to mitigate this increase, Reclamation and WAPA coordinated to make budget reductions for both FY 2023 and FY 2024. This effort led to Reclamation reducing its FY 2022 carryover request in FY 2023 and both WAPA and Reclamation reducing their FY 2024 budgets. As a result, the proposed FY 2024

² See FERC Docket No. EF22-4-000.

base charge for BCP electric service is projected to increase from \$66.8 million in FY 2023 to \$69.1 million in FY 2024, a 3.5 percent increase.

Reclamation's FY 2024 budget is decreasing \$962,000 from \$84.7 million to \$83.7 million, a 1.1 percent decrease from FY 2023. Reflected in this budget, operations and maintenance (O&M) costs are decreasing \$511,000 primarily due to the elimination of three positions and the associated travel and training costs. Several large projects are being delayed, decreasing replacements costs by \$1.3 million. Post-retirement benefits costs are increasing \$104,000 based on a higher 5-year average of recent actual expenses. Visitor services costs are increasing by \$728,000 primarily due to costs for the National Park Services security agreement being realigned from security forces in O&M to visitor services.

WAPA's FY 2024 budget is decreasing \$100,000 to \$8.6 million, a 1.1 percent decrease from FY 2023. WAPA's O&M costs are increasing \$680,000 from FY 2023 due to higher labor projections for salaries, overtime, overhead, and benefits and an updated charging methodology from overhead to direct charging for power billing. WAPA's replacement costs are decreasing \$820,000 from FY 2023 due to delaying previously planned circuit breaker and relay replacements until at least FY 2026. WAPA's post-retirement benefit costs are increasing \$39,000 from FY 2023 due to a higher 5-year average of recent actual expenses.

Costs for Reclamation and WAPA are offset by a slight increase of \$18,000 in non-power revenue projections, due to a higher estimate for ancillary services revenues. Prior year carryover is projected to be \$2.2 million, a \$3.4 million decrease from FY 2023.

The composite and energy rates are both increasing 6.7 percent from FY 2023, and the capacity rate is increasing 11.5 percent from FY 2023. These unit rate calculations use forecasted energy and capacity values, which have been decreasing due to the ongoing drought in the Lower Colorado River Basin. Forecasted energy and capacity values may be updated when determining the final base charge and rates if hydrological conditions change. With the

uncertainty of hydrological conditions, Reclamation and WAPA will continue to work collaboratively to lessen the impact of the drought in future years.

WAPA's proposed base charge and rates for FY 2024, which would be effective October 1, 2023, are preliminary and subject to change based on modifications to forecasts before publication of the final base charge and rates.

Legal Authority

WAPA's proposal to calculate the base charge and rates for FY 2024 constitutes a major rate adjustment, as defined by 10 CFR 903.2(d). In accordance with 10 CFR 903.15, 10 CFR 903.16, and 10 CFR 904.7(e), DSW will hold public information and public comment forums for this rate adjustment. DSW will review and consider all timely public comments at the conclusion of the consultation and comment period and adjust the proposal as appropriate. The FY 2024 base charge and rates will then be approved on a provisional basis.

WAPA is establishing rates for BCP electric service in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152). This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of Reclamation. Those functions include actions that specifically apply to the BCP.

Pursuant to the BCP Electric Service Contracts, the calculated base charge and rates for FY 2024 shall become effective, provisionally, upon approval by the Deputy Secretary of Energy subject to final approval by FERC. Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations, and the Secretary of Energy may therefore exercise the Deputy Secretary's contractual authority in this context. By Delegation Order No. S1-DEL-RATES-2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the WAPA Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve,

and place into effect on a final basis, or to remand or disapprove such rates, to FERC. Based upon the governing terms of the BCP Electric Service Contracts and Delegation Order No. S1-DEL-RATES-2016, the Deputy Secretary will provisionally approve the FY 2024 base charge and rates for BCP electric service, subject to final approval by FERC. This rate action is issued under the Delegation Order and DOE's procedures for public participation in rate adjustments set forth at 10 CFR parts 903 and 904.³

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that DSW initiates or uses to develop the proposed formula rates for electric service and the base charge and rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents and supporting information are also available on WAPA's website at:

www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.⁴

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Signing Authority

³ 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

⁴ In compliance with the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. 4321 *et seq.*, the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508), and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

This document of the Department of Energy was signed on March 31, 2023, by Tracey A. LeBeau, Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on April 12, 2023

Treena V. Garrett,
Federal Register Liaison Officer,
U.S. Department of Energy.

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